

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03
INR-10 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03
SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-07
CEA-01 PA-01 AGRE-00 /085 W
-----042937 310608Z /14

R 301528Z MAR 78
FM AMEMBASSY CAIRO
TO SECSTATE WASHDC 7365
INFO AMCONSUL ALEXANDRIA

C O N F I D E N T I A L CAIRO 09662

E.O. 11652: GDS
TAGS: EAID, ECON, EG
SUBJECT: PEOPLES ASSEMBLY DEBATE ON RISING FOOD PRICES

REF: CAIRO 09509

1. SUMMARY: MARCH 30 LOCAL PRESS HIGHLIGHTS ARTICLES ON CONTINUED HEATED PA DEBATE OVER RISING FOOD PRICES AND GOE SUPPLY POLICIES. ACCORDING TO PRESS, DEBATE FOCUSED ON SUBSIDY QUESTION, CONTINUED RISE IN PRICE OF BASIC COMMODITIES, AND PROBLEMS IN DISTRIBUTION. POSSIBLE SOLUTIONS SUGGESTED BY PA MEMBERS INCLUDED CONTINUATION SUBSIDIES OF BASIC COMMODITIES AND ESTABLISHMENT HIGHER PA COMMITTEE TO SET AND ENFORCE PRICES. TONE OF PRESS ACCOUNTS RELATIVELY BLAND. EMBASSY EMPLOYEE PRESENT AT SESSION, HOWEVER, INFORMED US THAT DEBATE WAS QUITE ACRIMONIOUS AND GOVERNMENT POLICIES ENCOUNTERED HEAVY CRITICISM. END SUMMARY.

2. LOCAL ARABIC PRESS MARCH 30 FEATURES LONG ARTICLES ON CONTINUED PA DEBATE OVER RISING FOOD PRICES AND INFLATION. PRESS ACCOUNTS FOCUS ON PA MEMBERS' CONCERN
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OVER HARDSHIPS SUSTAINED BY MASSES FROM SPIRALLING PRICES, PARTICULARLY SHARP RISE IN COST OF BREAD. (NOTE: IN ACTUALITY, PRICE OF BASIC TYPE OF UNLEAVENED BREAD CONSUMED BY GREAT MAJORITY OF POPULATION HAS NOT BEEN INCREASED FROM CURRENT LOW SUBSIDIZED LEVEL.) ASSEMBLY MEMBERS WERE REPORTEDLY DISPLEASED BY CONTINUED INCREASES IN PRICE OF BASIC COMMODITIES AND APPARENT

FAILURE OF GOVERNMENT PRICE AND SUPPLY POLICIES. AMONG SOLUTIONS SUGGESTED BY PA MEMBERS WERE CONTINUATION OF SUBSIDIES FOR BASIC COMMODITIES AND ESTABLISHMENT OF A PA HIGHER COMMITTEE TO SET AND ENFORCE PRICES. PA ALSO CALLED FOR RECONSIDERATION OF COMMODITY DISTRIBUTION PROCESS AS WELL AS PRINCIPLES GOVERNING OPERATION CONSUMER COOPERATIVES.

3. SPEAKING FOR GOVERNMENT, MINTRADE AND SUPPLY TEWFIK ASSURED PA THAT SUBSIDIZATION OF BASIC COMMODITIES WOULD CONTINUE. DEPPRIMIN KAISSOUNI ADMITTED THAT EGYPT'S ECONOMIC PROBLEMS WERE INDEED LARGE AND PROBLEM OF INFLATION AMONG THE LARGEST. HE NOTED, HOWEVER, THAT INFLATION NOT PECULIAR TO EGYPT AND WAS LINKED TO INTERNATIONAL RISES IN PRICES OF IMPORTED ITEMS. EGYPT'S ECONOMIC PROBLEMS COULD ONLY BE DEALT WITH THROUGH CALM AND THOROUGH DEBATE OF PROBLEMS BY THE PA.

4. ALTHOUGH PRESS CHARACTERIZES DEBATE AS "EXCITING AND HEATED", TONE OF ACTUAL ACCOUNTS RELATIVELY BLAND. EMBASSY SENIOR FSL WHO WAS PRESENT AT SESSION, HOWEVER, INFORMED US THAT DEBATE WAS ACRIMONIOUS AND GOVERNMENT POLICIES CAME UNDER SHARP CRITICISM.

5. ACCORDING TO FSL, SHARPEST CRITICISM WAS LEVELED BY PA MEMBER MUSTAPHA QADI (INDEPENDENT). QADI ACCUSED GOE
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OF INCREASING PRICES DESPITE PUBLIC STATEMENTS TO CONTRARY. QADI SAID GOE OPEN DOOR POLICY HAS FAILED BY ALLOWING IMF TO PRESSURE GOVERNMENT INTO RAISING PRICES TO WORLD LEVELS. GOVERNMENT'S ECONOMIC POLICY WRONG BECAUSE IT IS AGAINST PRINCIPLES OF SOCIALISM, DOES NOT RECOGNIZE DIFFERENCES BETWEEN EGYPT AND THE WEST AND BECAUSE IT DOES NOT ADDRESS CONCERNS OF MASSES. QADI ALSO STATED THAT A TRUE OPEN DOOR POLICY WOULD BE OPEN TO THE EAST, AS WELL AS WEST. HE FURTHER CRITICIZED USE OF PARALLEL MARKET RATE FOR IMPORTS AND CLAIMED THAT USE OF PARALLEL MARKET RATE WAS INSTITUTED WITHOUT APPROVAL OF PA.

6. PUBLIC CONCERN OVER PRICES WAS UNDERLINED BY OPPOSITION SOCIAL LIBERAL PARTY PA MEMBER SHAFI' WHO WARNED GOVERNMENT THAT, UNLESS PROBLEMS OF MASSES DEALT WITH PROMPTLY, REVOLUTION WOULD INEVITABLY FOLLOW. CENTER PARTY MEMBER ASHUR ALSO CALLED FOR QUICK GOVERNMENT ACTION TO CONTROL PRICES AND SUGGESTED ESTABLISHMENT OF A SPECIAL PA COMMITTEE TO SET PRICES WITH REAL POWERS OF ENFORCEMENT. PENALTIES SHOULD NOT BE LIMITED TO FINES, HE SAID, BUT SHOULD ENTAIL IMPRISONMENT OF OFFENDERS OR,

BETTER YET, PUBLIC WHIPPING IN TAHRIR SQUARE.

7. COMMENT: MOOD OF PA DEBATE IS PROBABLY AN ACCURATE REFLECTION OF GROWING PUBLIC CONCERN OVER INCREASINGLY-EVIDENT IMPACT OF INFLATION ON COST OF LIVING. OTHER RELIABLE SOURCES HAVE REPORTED THAT CONCERN OVER PUBLIC MOOD IS SHARED AT HIGHEST LEVELS OF GOE. PA DEBATE CONTINUES MARCH 30, AND WE WILL HAVE FURTHER REPORT. EILTS

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FOODS, PRICES
Control Number: n/a
Copy: SINGLE
Draft Date: 30 mar 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978CAIRO09662
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780139-0778
Format: TEL
From: CAIRO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780310/aaaaahzj.tel
Line Count: 124
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 55fb80b7-c288-dd11-92da-001cc4696bcc
Office: ACTION NEA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 78 CAIRO 9509
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 10 jun 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3098511
Secure: OPEN
Status: NATIVE
Subject: PEOPLES ASSEMBLY DEBATE ON RISING FOOD PRICES
TAGS: EAID, ECON, EG
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/55fb80b7-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014